SETSOTO LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

R S KAU
Municipal Manager

2008/08/28
Date

SETSOTO LOCAL MUNICIPALITY

INDEX **Page**

Statement of Financial Position		2
Statement of Financial Performance		3
Statement of Changes in Net Assets		4
Cash Flow Statement		5
Accounting Policies		6
Notes to the Annual Financial Statements		14
Appendix A :	Schedule of External Loans	31
Appendix B :	Analysis of Property, Plant and Equipment	32
Appendix C(1) :	Actual versus Budget (Revenue and Expenditure)	34
Appendix C(2) :	Actual versus Budget (Acquisition of Property, Plant and Equipment)	36
Appendix D :	Disclosures of Grants and subsidies in Terms of section 123 of the Municipal Finance Management Act 56 of 2003	38

SETSOTO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		**286,771,650**	**139,314,357**
Housing Development Fund	1	271,810	271,810
Capital replacement reserve		590,580	590,580
Government grant reserve		259,755,905	139,180,665
Donations and public contribution reserves		53,635	59,307
Accumulated Surplus/(Deficit)		26,099,720	(788,005)
Non-current liabilities		**24,799,576**	**23,374,123**
Long-term liabilities	2	23,966,629	22,650,760
Non-current provisions	3	832,946	723,363
Current liabilities		**75,005,824**	**58,206,295**
Consumer deposits	4	1,716,615	1,515,730
Provisions	5	1,917,385	1,698,292
Creditors	6	18,493,650	7,178,380
Unspent conditional grants and receipts	7	24,672,590	26,172,839
VAT	8	13,523,903	5,955,209
Bank overdraft	16	10,307,200	12,751,579
Current portion of long-term liabilities	2	4,374,480	2,934,265
Total Net Assets and Liabilities		**386,577,049**	**220,894,775**
ASSETS			
Non-current assets		**293,491,933**	**168,852,155**
Property, plant and equipment	9	292,480,735	167,460,884
Investments	10	992,038	1,368,538
Long-term receivables	11	19,160	22,732
Current assets		**93,085,117**	**52,042,621**
Inventory	12	551,972	276,006
Consumer debtors	13	77,513,246	45,314,184
Other debtors	14	707,022	322,430
VAT	8	7,321,738	1,676,992
Current portion of long-term debtors	11	3,573	3,573
Call investment deposits	15	1,049,476	26
Bank balances and cash	16	5,938,088	4,449,411
Total Assets		**386,577,049**	**220,894,775**

SETSOTO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

Budget				Actual	
2007	**2008**		**Note**	**2008**	**2007**
R	**R**			**R**	**R**
		REVENUE			
18,099,371	22,315,979	Property rates	17	22,787,497	20,494,439
61,786,493	66,865,007	Service charges	18	67,225,861	62,745,487
707,500	515,025	Rental of facilities and equipment		549,645	782,427
180,000	550,000	Interest earned - external investments		2,665,725	486,750
10,000,000	9,000,000	Interest earned - outstanding debtors		14,428,998	10,106,688
241,000	233,000	Fines		200,407	224,880
2,000	550	Licences and permits		430	620
108,086,792	208,728,838	Government grants and subsidies	19	198,237,909	106,276,882
3,799,240	2,062,190	Other income	20	4,792,499	3,017,273
-	-	Gains on disposal of property, plant and equipment		252,910	547,390
202,902,396	**310,270,589**	**Total Revenue**		**311,141,882**	**204,682,836**
		EXPENDITURE			
(59,931,672)	(64,415,332)	Employee related costs	21	(64,923,272)	(55,279,016)
(6,997,900)	(6,267,105)	Remuneration of Councillors	22	(6,505,023)	(6,909,626)
(8,600,000)	(11,810,575)	Bad debts		(11,810,575)	(8,600,000)
(18,920)	-	Collection costs		-	-
(4,706,500)	(12,578,993)	Depreciation		(15,589,451)	(11,520,150)
(10,896,983)	(11,598,300)	Repairs and maintenance		(7,009,852)	(6,572,119)
(7,708,715)	(4,100,250)	Interest paid	23	(4,654,748)	(3,979,758)
(13,000,000)	(16,000,000)	Bulk purchases	24	(14,775,478)	(13,586,765)
(13,020,000)	(8,001,000)	Grants and subsidies paid	25	(7,008,192)	(10,287,488)
(30,387,755)	(26,261,365)	General expenses	26	(31,355,361)	(26,972,413)
-	-	Loss on disposal of property, plant and equipment		-	-
(155,268,445)	**(161,032,920)**	**Total Expenditure**		**(163,631,952)**	**(143,707,336)**
47,633,951	**149,237,669**	**SURPLUS/(DEFICIT) FOR THE YEAR**		**147,509,930**	**60,975,500**
		Share of surplus/(deficit) of associate accounted for under the equity method		-	-
47,633,951	**149,237,669**	**NET SURPLUS/(DEFICIT) FOR THE YEAR**		**147,509,930**	**60,975,500**

Refer to Appendix E(1) for explanation of variances

SETSOTO LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Pre-GAMAP Reserves and Funds	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R
2007									
Balance at 1 July 2006	-	271,810	-	-	95,582,634	64,979	-	(17,935,518)	79,966,090
Correction of error (Note 27)	-	-	-	-			-	354,952	354,952
Unbilled Income								-	-
Restated balance	**-**	**271,810**	**-**	**-**	**95,582,634**	**64,979**	**-**	**(17,580,566)**	**80,321,042**
Net surplus/(deficit) for the year	-	-	-	-	-	-	-	60,975,500	60,975,500
Property, plant and equipment purchased	-	-	(860,601)	-	-	-	-	860,601	-
Capital grants used to purchase PPE	-	-	-		51,859,909	-	-	(51,859,909)	-
Contribution for the year	-	-	860,601	-	-	-	-	(860,601)	-
Asset disposals	-	-	590,580	-	-	-	-	(590,580)	-
Offsetting of depreciation	-	-	-	-	(8,261,878)	(5,672)	-	8,267,550	-
									-
Balance at 30 June 2007	**-**	**271,810**	**590,580**	**-**	**139,180,665**	**59,307**	**-**	**(788,005)**	**141,296,542**
2008									
Correction of error (Note 27)	-	-	-	-			-	(52,638)	(52,638)
Restated balance	**-**	**271,810**	**590,580**	**-**	**139,180,665**	**59,307**	**-**	**(840,643)**	**141,243,904**
Net surplus/(deficit) for the year	-	-	-	-	-	-	-	147,509,930	147,509,930
Property, plant and equipment purchased	-	-	(1,484,135)	-	-	-	-	1,484,135	-
Capital grants used to purchase PPE	-	-			132,396,431	-	-	(132,396,431)	-
Contribution for the year	-	-	1,484,135	-	-	-	-	(1,484,135)	-
Asset disposals	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	-	-	(11,821,192)	(5,672)	-	11,826,864	-
Balance at 30 June 2008	**-**	**271,810**	**590,580**	**-**	**259,755,905**	**53,635**	**-**	**26,099,719**	**288,753,834**

SETSOTO LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		193,119,546	193,119,546
Cash paid to suppliers and employees		(63,557,664)	(144,522,170)
Cash generated from/(utilised in) operations	28	129,561,882	48,597,376
Interest received		17,094,723	10,593,438
Interest paid		(4,654,748)	(3,979,758)
NET CASH FROM OPERATING ACTIVITIES		142,001,857	55,211,056
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(140,625,186)	(52,720,748)
(Increase)/Decrease in non-current loans		3,572	3,572
(Increase)/Decrease in non-current investments		376,501	(210,195)
(Increase)/Decrease in call investment deposits		(1,049,450)	-
NET CASH FROM INVESTING ACTIVITIES		(141,025,768)	(52,369,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		2,756,085	(4,150,442)
Increase in consumer deposits		200,885	89,768
NET CASH FROM FINANCING ACTIVITIES		2,956,969	(4,060,674)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,933,058**	**(1,218,802)**
Cash and cash equivalents at the beginning of the year		**(8,302,168)**	**(7,083,366)**
Cash and cash equivalents at the end of the year	29	**(4,369,111)**	**(8,302,168)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,933,058**	**(1,218,802)**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements are prepared on the going concern basis. Although the Council receive Equitable Share from Government, it is being recognised as income to support the poor and indigent households, as part of Governments national guidline

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans form National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia,* Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing evelopment subject to the approval of the Provincial MEC resposible for housing.

5. RESERVES

5.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the expected useful lives of the items of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.2 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Public Contributions and Donations Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 Capital Replacement Reserve (CRR)

All proceeds on the sales of assets, not financed from Government Grants and Public Contributions, are creditied to this fund. In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Budget approval). A corresponding amount is transferred to a designated CRR investment account. The cash in the designated CRR investment account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

6.1 The 2007/08 accounting policy regarding property, plant and equipment transactions agree with that applied in the 2006/07 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

6.2 PPE is stated:

* At cost less accumulated depreciation, or
* At fair value at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.
* Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives.
* Similarly, land is not depreciated as it is deemed to have an indefinite life.

6.3 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

6.4 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

6.5 The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R7 500 per item of PPE. Where the value of bulk purchases of PPE with values of less than R 7 500 per item, these items are recognised as PPE in the Statement of Financial Position.

6.6 **Depreciation and impairment losses**

6.6.1 Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives, calculated on a full month completion:

	Years		Years
Infrastructure		**Other**	
Roads	10-30	Buildings	30
Electricity	20-30	Specialist vehicles	20
Water	15-20	Motor vehicles	5-7
Sewerage	15-20	Office equipment	3-7
		Furniture and fittings	7-10
Community		Emergency Equipment	5-15
Buildings	30	Plant and equipment	2-5
Recreational Facilities	20	Specialised plant and equipment	10-15
Security measures	3-5		

6.6.2 Incomplete construction work is stated at historic cost. Depreciation commences when the asset is capitalised.

6.6.3 The carrying amount of an item or a group of identical items of PPE is reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense immediately, unless it reverses a previous revaluation, in which case it is charged to the revaluation non distributable reserve.

6.7 **Disposal and retirement of assets**

* Assets are written off on disposal or retirement.
* The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

7. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings. No revaluation of assets was done in 2007/2008.

8. INVENTORIES

The 2007/08 accounting policy regarding inventory transactions agree with that applied in the 2006/07 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

Consumable stores and maintenance materials are valued at the lower of cost, determined on the weighted average cost basis, and net realisable value. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventories to its present location and condition.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

9. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities must initially be recognized at cost.

The 2007/08 accounting policy regarding financial instrument transactions agree with that applied in the 2006/07 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

9.1 Investments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

The municipality may have the following types of financial instruments.

* **Held to maturity (HTM) investments** are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.

* **Loans and receivables originated by the enterprise** are financial assets that are created by providing money, goods or services directly to a debtor.

INITIAL MEASUREMENT of financial instruments is **at cost, which is the fair value** of the consideration given. The fair value is usually the transaction price or market price. **Transaction costs** are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

SUBSEQUENT MEASUREMENT of financial assets**.**

HTM investments and **loans and receivables originated by the entity and not held for trading** are subsequently recognised at **amortised cost using the effective interest rate method. Amortised cost** is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2 Accounts Receivable

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

9.3. Trade Creditors

Trade creditors are stated at their nominal value.

9.4. Cash and Cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents compromise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

10. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following provision is set for the creation and utilisation of this creditor:

* Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

11. VALUE ADDED TAX

The Council accounts for Value Added Tax on the cash basis.

12. REVENUE RECOGNITION

Revenue must initially be recognized at cost.

The 2007/08 accounting policy regarding revenue transactions agree with that applied in the 2006/07 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

12.1 Revenue from Exchange Transactions

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized as these services are used by consumers.

Sanitation charges are levied monthly at a flat rate based on the location of the property and the number of connections using the tariffs approved from Council .

Refuse charges are levied monthly at a flat rate based on the zoning of the site, using the tariffs approved from Council.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Income in respect of housing rental and instalments are accrued monthly in advance.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

* The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
* The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
* The amount of revenue can be measured reliably.
* It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
* The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

12.2 Revenue from non-exchange transactions

Revenue from rates is recognized, when the legal entitlement to this revenue arises. A Differential Rating system is applied. In terms of this system assessment rates are levied on the land and improvements value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

Collection charges are recognized when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summonse is issued.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14. PROVISIONS

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

14.1. *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the total amount of accumulated leave days due to employees at year end and also on the basic salary of the employee.

14.2 *Provision for bonuses*

The Municipality makes provision for bonuses payable where at year end minimum bonus amounts owing to officials are contractually payable in the next financial year.

14.3 Provision for the rehabilitation of landfill sites

No provision for Landfill sites are made by Council, but expensed during the year.

14.4 Provision for removal of alien vegetation

No provision for alien vegetation are made by Council during the year.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18 RETIREMENT BENEFITS

The 2007/08 accounting policy regarding retirement benefit transactions agree with that applied in the 2006/07 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

18.1 *Pension / Retirement Fund*

The Council and its employees contribute to various Pension and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds.

Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to employees or councillors.

A provision is made for the best estimate of the current cost of gratuities payable to employees that were not previously members of a pension fund.

A provision is raised as the best estimate of the current cost of paying future pensions to employees who have become disabled as a result of injuries sustained whilst on duty.

18.2 ***Medical Aid: Continued Members***

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and Council for the remaining 70% or 60%. Council adopted a policy whereby the age of staff appointed under the new conditions of service would determine their portion of contribution to the medical aid on retirement.

These contributions are charged to the operating account when paid. In addition Council will contribute annually for the next 15 years towards funding the obligations, which could arise to pay for the future medical costs of employees and retirees.

19. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

20. GRANTS-IN-AID

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, Council does not:

* Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
* Expect to be repaid in future; or
* Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

21. ROUNDING

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

	2008 R	2007 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	271,810	271,810
Unappropriated Surplus	271,810	271,810
The Housing Development Fund is represented by the following assets and liabilities		
Creditors	271,810	271,810
Total Housing Development Fund Assets and Liabilities	**271,810**	**271,810**
2 LONG-TERM LIABILITIES		
Annuity Loans	28,341,109	25,585,025
Sub-total	28,341,109	25,585,025
Less : Current portion transferred to current liabilities	(4,374,480)	(2,934,265)
Annuity Loans	(4,374,480)	(2,934,265)
Total External Loans	**23,966,629**	**22,650,760**

Refer to Appendix A for more detail on long-term liabilities.

The capitalised lease liability is secured over the item of infrastructure leased.

3 NON-CURRENT PROVISIONS		
Provision for long-service	832,946	723,363
Total Non-Current Provisions	**832,946**	**723,363**

The long-service award is payable after 10 years of continuous service and thereafter every 5 years. Provision is an estimation based on the proportion of the current years service

Landfill sites are being rehabilitated continuously and therefore expensed during the year.

The movement in the non-current provisions are reconciled as follows: -

Balance at beginning of year	723,363	631,652
Contributions to provision	160,271	114,642
Reversal previous year current provision	227,578	204,647
Increase in provision due to discounting	-	-
Transfer to current provisions	(278,265)	(227,578)
Balance at end of year	**832,946**	**723,363**

4 CONSUMER DEPOSITS		
Elecftricity and Water	1,716,615	1,515,730
Total Consumer Deposits	**1,716,615**	**1,515,730**

	2008	2007
	R	R
5 PROVISIONS		
Performance & service bonus	1,639,120	1,470,715
Current portion of long-service provision (see note 3 above)	278,265	227,578
Total Provisions	**1,917,385**	**1,698,292**

Performance bonuses accrue to directors on an annual basis, subject to certain conditions. The provision is an estimate of the amount due to directors at the reporting date.

The movement in current provisions are reconciled as follows: -

Balance at beginning of year	1,470,715	1,850,035
Transfers	-	-
Contributions to provision	3,921,298	2,827,323
Interest on Investments	-	-
Expenditure incurred	(3,752,893)	(3,206,643)
Balance at end of year	**1,639,120**	**1,470,715**

6 CREDITORS		
Trade creditors	10,259,854	561,888
Payments received in advance	955,049	921,028
Grave Fund : E Payne Trust	1,625	1,625
Leave reserve	5,104,304	4,541,935
Other creditors	2,172,818	1,151,904
Total Creditors	**18,493,650**	**7,178,380**
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government	24,672,590	26,172,839
MIG Grants	28,562,889	21,701,474
District Municipality	(15,092,476)	(7,567,738)
Other	(39,786)	(243,249)
Provincial	11,674,598	12,494,593
LED Projects	(432,635)	(212,241)
Total Conditional Grants and Receipts	**24,672,590**	**26,172,839**

See Note 19 for reconciliation of grants from other spheres of government. Refer to GRAP 17 par. 86 for Transitional Provisions.

8 VAT		
VAT payable	**13,523,903**	**5,955,209**
VAT receivable	**7,321,738**	**1,676,992**

VAT is payable on the receipts basis. Only once payment is received from debtors then the VAT is paid over to SARS.

9. PROPERTY, PLANT AND EQUIPMENT

The Municipality did not review the useful life or the depreciation method used on the asset recognised in the annual financial statements for the 2007/2008 financial year due to exemption granted in Gazette 30013.

Due to the process of identifying any asset that may be impaired for reporting purposes on the carrying value of the different asset catagories included above could not been determined and as a result no impairment loss has been recognised in the 2007/2008 financial year. This is also due to the application of an exemption granted in Gazette 30013.

Included in land and buildings are items that may meet the definition of investment property but have been included as Property, plant and equipment because the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of IAS 40.

Included in Property, plant and equipment are items that meet the definition of inventory but have been included as Property, plant and equipment because the process of identifying inventory for reporting purposes. These items will be transferred to inventory once they have been identified as inventory in terms of GAMAP 12.

30 June 2008

Reconciliation of Carrying Value	**Land and Buildings**	**Infra-structure**	**Community**	**Heritage**	**Other**	**Housing Develop. Fund**	**Leased infrastructure**	**Total**
	R	**R**	**R**	**R**	**R**	**R**	**R**	**R**
Carrying values at 1 July 2007	**27,611,097**	**127,333,007**	**2,769,341**	**-**	**9,747,199**	**-**	**-**	**167,460,883**
Cost	36,169,174	254,278,706	7,371,730	-	20,331,385	-	-	318,150,995
Correction of error (note 27)	-		-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(8,558,077)	(126,945,699)	(4,602,389)	-	(10,584,186)	-	-	(150,690,351)
- Cost	(8,558,077)	(126,945,699)	(4,602,389)	-	(10,584,186)	-	-	(150,690,351)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	1,174,622	130,873,274	-	-	8,561,504	-	-	140,609,400
Capital under Construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	(1,463,324)	(11,489,925)	(216,282)	-	(2,419,920)	-	-	(15,589,451)
- based on cost	(1,463,324)	(11,489,925)	(216,282)	-	(2,419,920)	-	-	(15,589,451)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	(15,885)	-	-	-	-	-	-	(15,885)
Cost/revaluation	(15,885)	-	-	-	-	-	-	(15,885)
Non-Capital								
Accumulated depreciation	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	-
	27,306,510	**246,716,356**	**2,553,059**	**-**	**15,888,783**	**-**	**-**	**292,464,947**
Carrying values at 30 June 2008	**27,322,535**	**246,716,358**	**2,553,059**	**-**	**15,888,783**	**-**	**-**	**292,480,735**
Cost	37,328,643	385,151,981	7,371,730	-	28,892,889	-	-	458,745,243
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(10,006,108)	(138,435,623)	(4,818,671)	-	(13,004,106)	-	-	(166,264,508)
- Cost	(10,006,108)	(138,435,623)	(4,818,671)	-	(13,004,106)	-	-	(166,264,508)
- Revaluation	-	-	-	-	-	-	-	-

9. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2007

Reconciliation of Carrying Value	**Land and Buildings**	**Infra-structure**	**Community**	**Heritage**	**Other**	**Housing Develop. Fund**	**Leased infrastructure**	**Total**
	R	**R**	**R**	**R**	**R**	**R**	**R**	**R**
Carrying values at 1 July 2006	**26,559,389**	**86,872,336**	**2,900,696**	**-**	**9,938,662**	**-**	**-**	**126,271,083**
Cost	33,814,349	205,548,352	7,289,758	-	18,788,824	-	-	265,441,283
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(7,254,960)	(118,676,016)	(4,389,062)	-	(8,850,162)	-	-	(139,170,200)
- Cost	(7,254,960)	(118,676,016)	(4,389,062)	-	(8,850,162)	-	-	(139,170,200)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	2,365,623	48,730,354	81,972	-	1,542,561	-	-	52,720,510
Capital under construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	(1,303,117)	(8,269,683)	(213,327)	-	(1,734,024)	-	-	(11,520,151)
- based on cost	(1,303,117)	(8,269,683)	(213,327)	-	(1,734,024)	-	-	(11,520,151)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	(10,798)	-	-	-	-	-	-	(10,798)
Cost/revaluation	(10,798)	-	-	-	-	-	-	(10,798)
Accumulated depreciation	-	-	-	-	-	-	-	-
Carrying values at 30 June 2007	**27,611,097**	**127,333,007**	**2,769,341**	**-**	**9,747,199**	**-**	**-**	**167,460,644**
Cost	36,169,174	254,278,706	7,371,730	-	20,331,385	-	-	318,150,995
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(8,558,077)	(126,945,699)	(4,602,389)	-	(10,584,186)	-	-	(150,690,351)
- Cost	(8,558,077)	(126,945,699)	(4,602,389)	-	(10,584,186)	-	-	(150,690,351)
- Revaluation	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

	2008 R	2007 R
10 INVESTMENTS		
Listed		
Sanlam shares	172,560	172,560
Unlisted		
EFC shares	67,683	67,683
EFC members funds	38,601	38,601
Total Unlisted	106,283	106,283
Financial Instruments		
Fixed Deposits	713,195	1,089,695
Total Cash Investments	713,195	1,089,695
Total Investments	**992,038**	**1,368,538**
Investments ceded for the purpose of housing collateral for employees.	**19,098**	**34,875**

Sanlam policies with an accounting value of R 352 269 are pledged to FNB as security for overdraft facilities granted to Council.

The negative cashbook balance as at 30 June as shown on the balance sheet is secured by the FNB Savings account, No. 62049046205.

No investments was written off for this financial year.

Market/Management valuation of investments		
Listed		
Sanlam shares	330,468	213,063
Unlisted		
OVK shares	244,622	113,681
OVK members funds	38,601	38,601
Total Unlisted	283,223	152,282
Financial Instruments		
Fixed Deposits	1,089,695	879,501
Total Cash Investments	1,089,695	879,501
Total Investments	**1,703,386**	**1,244,845**

11 LONG-TERM RECEIVABLES		
Sport Clubs - Squash	22,733	26,305
	22,733	26,305
Less : Current portion transferred to current receivables	3,573	3,573
Sport Clubs - Squash	3,573	3,573
Total	**19,160**	**22,732**

	2008	2007
	R	R
12 INVENTORY		
Consumable stores: Other – at cost	253,460	60,618
Maintenance materials: Water – at cost	132,262	72,814
Maintenance materials: Electricity – at cost	166,250	142,574
Total Inventory	**551,972**	**276,006**

Inventory is net of specific provisions for obsolescence.

All saleable properties are currently included as assets in Appendix B as Council is currently busy investigating the use of all it's properties. Included in inventory are items that may meet the definition of property, plant and equipment but have been included as inventory because the process of identifying property, plant and equipment for reporting purposes. These items will be transferred to property, plant and equipment in terms of GAMAP 17.

13 CONSUMER DEBTORS		
Service debtors	96,821,521	75,840,942
Rates	9,492,525	9,593,693
Electricity	10,592,832	5,132,408
Water	22,818,335	18,408,989
Sewerage	53,917,829	42,705,852
Housing rentals	-	-
Current debtors (Other)	49,647,779	38,189,281
Less : Provision for bad debts	-68,956,054	-68,716,039
Total	**77,513,246**	**45,314,184**

An amount of R11 570 560 were written off as bad debts during the year. (R15 544 554 in 2007)

Levy Debtors: Ageing		
Current (0 – 30 days)	10,775,797	8,746,239
31 - 60 Days	3,113,475	2,230,590
61 - 90 Days	2,366,110	2,102,738
91 - 120 Days	2,521,967	2,011,577
+ 121 Days	78,044,172	60,749,798
Total	**96,821,521**	**75,840,942**

13 CONSUMER DEBTORS (continued)	2008 R	2007 R
Other: Ageing		
Current (0 – 30 days)	-	-
31 - 60 Days	10,606,561	1,328,527
61 - 90 Days	2,013,049	1,252,681
91 - 120 Days	1,840,249	1,240,299
+121 Days	35,187,920	34,367,774
Total	**49,647,779**	**38,189,281**

Summary of Debtors by Customer Classification **30 June 2008**	**Consumers**	**Industrial/ Commercial**	**National and Provincial Government**
	R	**R**	**R**
Current (0 – 30 days)	9,014,204	647,834	158,710
31 - 60 Days	2,878,368	134,687	100,420
61 - 90 Days	2,280,278	55,792	30,040
91 - 120 Days	2,441,566	57,813	22,588
+121 Days	76,827,649	838,068	378,455
Sub-total	93,442,065	1,734,194	690,213
Less: Provision for bad debts	(66,549,214)	(1,235,089)	(491,568)
Total debtors by customer classification	**26,892,851**	**499,105**	**198,645**

Summary of Debtors by Customer Classification **30 June 2007**	**Consumers**	**Industrial/ Commercial**	**National and Provincial Government**
	R	**R**	**R**
Current (0 – 30 days)	7,987,979	720,705	37,556
31 - 60 Days	2,051,910	91,493	87,187
61 - 90 Days	1,953,210	70,329	79,199
91 - 120 Days	1,877,244	60,173	74,160
+121 Days	59,887,139	756,982	105,678
Sub-total	73,757,482	1,699,682	383,780
Less: Provision for bad debts	(66,828,311)	(1,540,005)	(347,724)
Total debtors by customer classification	**6,929,171**	**159,677**	**36,056**

Reconciliation of Bad Debts Provision

Balance at beginning of year	68,716,039	75,660,593
Contributions to Provision	11,810,575	8,600,000
Bad Debts written off against Provision	(11,570,560)	(15,544,554)
Balance at end of year	**68,956,054**	**68,716,039**

14 OTHER DEBTORS	2008 R	2007 R
Payments made in advance	65,084	79,384
Unauthorized expenditure (see Note 31)	-	-
Fruitless and wasteful expenditure (see Note 31)	-	-
Other	454,607	155,999
Insurance claims	-	-
Government subsidies	187,331	87,047
Total Other Debtors	**707,022**	**322,430**

	2008 R	2007 R
15 CALL INVESTMENT DEPOSITS		
Call deposits	1,049,476	26
Other Deposits	-	-
Average Rate of Return on Investments	7.47%	8.74%
16 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts: -		
Current Account (Primary Bank Account)		
First National Bank - Ficksburg Branch		
Account Number 620 480 92647		
Cash book balance at beginning of year - overdrawn	(12,751,578)	(11,250,223)
Cash book balance at end of year - overdrawn	(10,307,200)	(12,751,578)
Bank statement balance at beginning of year - (overdrawn)	(7,072,035)	(9,175,629)
Bank statement balance at end of year - (overdrawn)	(4,438,556)	(7,072,035)
Cash Floats to cashiers	8,796	8,396
Savings Account		
First National Bank - Ficksburg Branch		
Account Number 620 490 46205		
Cash book balance	5,929,293	4,441,015
Bank statement balance	4,441,015	4,160,252
17 PROPERTY RATES		
Actual		
Residential / Commercial	12,017,073	7,597,968
State	8,788,238	7,130,946
Total Assessment Rates	**20,805,311**	**14,728,914**
Valuations	***July 2007***	***July 2006***
	R000's	***R000's***
Residential	394,682	382,406
Commercial	157,052	151,414
State	159,023	155,423
Total Property Valuations	**710,757**	**689,243**

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2003. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A residential rate of **R0.02927** (2007: R0.02855) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners. Rates are levied on a monthly basis throughout the year. Interest at prime + 1% per annum is levied on outstanding rates.

	2008	2007
	R	R
18 SERVICE CHARGES		
Sale of electricity	24,332,856	23,058,118
Sale of water	16,295,318	15,964,121
Vodacom telephone container	24,580	24,580
Building approvals	24,771	34,322
Call out fees	-	-
Caravan Park	37,440	34,504
Entrance fees	14,061	14,970
Sewerage and Refuse charges	26,496,835	23,614,872
Total Service Charges	**67,225,861**	**62,745,487**
19 GOVERNMENT GRANTS AND SUBSIDIES		
Provincial LED Projects	22,561	22,561
Equitable share	48,322,939	53,829,926
Grants	1,294,000	1,294,000
Provincial health subsidies	-	-
MIG Grant	148,598,409	51,130,395
Total Government Grant and Subsidies	**198,237,909**	**106,276,882**

19.1 Equitable Share

In terms of the Constitution, this unconditional grant is used mainly to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of **R154.96** (2007: R115.45), which is funded from this grant. The remaining grant are used for operational requierments.

Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	48,322,939	53,829,926
Conditions met - transferred to revenue	(48,322,939)	(53,829,926)
Conditions still to be met - transferred to liabilities (see note 7)	-	-

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy

Balance unspent at beginning of year		-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 7)	-	-

	2008	2007
	R	R
19 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
19.2 Provincial LED Projects		
Balance unspent at beginning of year	-	-
Current year receipts	22,561	659,239
Conditions met - transferred to revenue	(22,561)	(659,239)
Conditions still to be met - transferred to liabilities (see note 7)	-	-

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

19.3 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

20 OTHER INCOME		
Other income	4,792,499	3,017,273
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 31)	-	
Total Other Income	**4,792,499**	**3,017,273**
21 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	47,147,833	42,203,332
Employee related costs - Contributions for UIF, pensions and medical aids	9,054,825	6,557,089
Travel, motor car, accommodation, subsistence and other allowances	2,381,040	1,942,037
Housing benefits and allowances	269,048	263,829
Overtime Payments	1,988,957	1,626,395
Performance bonus	3,921,298	1,850,035
Long-service awards	160,271	836,299
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	-	-
Total Employee Related Costs	**64,923,272**	**55,279,016**
Remuneration of the Municipal Manager		
Annual Remuneration	909,269	440,809
Performance Bonuses	195,240	68,413
Car Allowance	207,343	221,749
Contributions to UIF, Medical and Pension funds	-	-
Total	1,311,852	730,971
Remuneration of the Chief Finance Officer		
Annual Remuneration	913,106	479,433
Performance Bonuses	174,288	66,806
Car Allowance	166,342	131,232
Contributions to UIF, Medical and Pension funds	-	-
Total	1,253,737	677,471

21 EMPLOYEE RELATED COSTS (continued)

Remuneration of Individual Executive Directors

30 June 2008	**Community Services**	**Technical Services**	**Corporate Services**
	R	**R**	**R**
Annual Remuneration	362,174	971,431	733,600
Performance Bonuses	-	150,683	150,605
Car Allowance	127,824	131,442	161,335
Medical and pension funds	-	-	-
Total	**489,998**	**1,253,556**	**1,045,539**

30 June 2007	**Community Services**	**Technical Services**	**Corporate Services**
	R	**R**	**R**
Annual Remuneration	-	463,426	420,818
Performance Bonuses	-	52,714	66,285
Car Allowance	-	124,672	167,632
Medical and pension funds	-	-	-
Total	**-**	**640,812**	**654,733**

During the year under review there was a change in Management structure (Section 57 Managers) due to the ending of their emploment contracts. Accumalated benefits were paid to the previous Sec 57 Managers.

	2008	**2007**
	R	**R**
22 REMUNERATION OF COUNCILLORS		
Mayor	331,110	371,374
Speaker	299,739	299,739
Excecutive Committee Members	910,383	910,383
Councillors	2,597,452	2,884,266
Councillors' pension contribution	512,450	466,532
Telephone Allowance	306,291	284,001
Medical Fund Contributions	150,191	150,191
Travelling allowance	1,397,406	1,568,637
Housing allowance	-	-25,497
Personal Facility allowance	-	-
Total Councillors' Remuneration	**6,505,023**	**6,909,626**

In-kind Benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

Both the Mayor and Speaker had a Personal Assistant, Secretary and Driver at the cost of the Council.

	2008 R	2007 R
23 INTEREST PAID		
Long-term liabilities	3,710,812	3,760,601
Bank overdrafts	943,936	219,157
Total Interest on External Borrowings	**4,654,748**	**3,979,758**
24 BULK PURCHASES		
Electricity	14,775,478	13,586,765
Total Bulk Purchases	**14,775,478**	**13,586,765**
25 GRANTS AND SUBSIDIES PAID		
Various insedental grants	690	22,687
Distitutional Help (Indigents)	7,007,502	10,264,801
Total Grants and Subsidies	**7,008,192**	**10,287,488**
26 GENERAL EXPENSES		
Included in general expenses is the following:-		
26.1 Material losses		
Robbery from cash in transit	-	-
27 CORRECTION OF ERROR		
Unbilled income at year-end corrected	-	-
Creditors for previous year corrected against accumulated surplus.	52,638	354,952
Unspend conditional Grants not previously recorded as creditors	-	-
Internal loans previously recorded as Internal Investments.	-	-
Reallocation of Asset Funding transactions during the year	-	-
		-
Net effect on surplus/(deficit) for the year	52,638	354,952

	2008	2007
	R	R
28 CASH GENERATED BY OPERATIONS		
Surplus for the year	147,509,930	60,975,500
Adjustment for:-		
Depreciation	15,589,451	11,520,150
Gain on disposal of property, plant and equipment	(252,910)	(547,390)
Contribution to provisions - non-current	109,583	91,711
Contribution to provisions – current	219,093	(356,390)
Contribution to bad debt provision	240,015	(6,944,554)
Investment income	(17,094,723)	(10,593,438)
Interest paid	4,654,748	3,979,758
Operating surplus before working capital changes:	**150,975,186**	**58,125,347**
(Increase)/decrease in inventories	(275,966)	(42,911)
(Increase)/decrease in debtors	(32,439,077)	(10,153,276)
(Increase)/decrease in other debtors	(384,592)	588,299
(Decrease)/increase in conditional grants and receipts	(1,500,249)	7,337,223
(Decrease)/Increase in creditors	11,262,632	(10,883,286)
(Increase)/decrease in VAT	1,923,948	3,625,977
Cash generated by/(utilised in) operations	**129,561,882**	**48,597,373**

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	5,938,088	4,449,411
Bank overdraft	(10,307,200)	(12,751,577)
Total cash and cash equivalents	**(4,369,112)**	**(8,302,166)**

30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 2)	28,341,109	25,585,025
Used to finance property, plant and equipment – at cost	(28,341,109)	(25,585,025)
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities (see note 15)	**-**	**-**

	2008 R	2007 R

31 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery (note 20)	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 36)	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organized local government

Opening balance	58,380	58,380
Council subscriptions	203,982	-
Amount paid - current year	(211,982)	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**50,380**	**58,380**

32.2 Audit fees

Opening balance	-	-
Current year audit fee	1,796,901	1,369,414
Amount paid - current year	(1,796,901)	(1,369,414)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	-

32.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

	2008	2007
	R	R
32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
32.4 PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	6,408,268	4,461,170
Amount paid - current year	(6,408,268)	(4,461,170)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**
32.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	13,638,992	12,160,371
Amount paid - current year	(13,638,992)	(12,160,371)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

32.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30 June 2008	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
None			-
Total Councillor Arrear Consumer Accounts	**-**	**-**	**-**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days

	Highest Amount Outstanding	**Ageing**
30 June 2007		
None		

	2008 R	2007 R
33 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	10,383,171	57,573,687
Infrastructure	6,276,367	52,520,234
Community	117,534	117,534
Heritage	-	-
Other	3,989,270	4,935,919
Housing Development Fund	-	\
Investment Properties	-	-
- Approved but not yet contracted for	-	-
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-
Housing Development Fund	-	-
Investment Properties	-	-
Total	**10,383,171**	**57,573,687**
This expenditure will be financed from:		
- External Loans	-	-
- Capital Replacement Reserve	-	-
- Government Grants	6,393,901	53,008,372
- Own resources	3,989,270	4,565,316
- District Council Grants	-	-
	10,383,171	**57,573,688**

34 RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to different defined benefit retirement funds administered by the different Funds. These funds are subject to actuarial valuation. The last valuations received indicate that the funds are in a sound financial position.

An amount of R6,1 million (2007 : R5,4 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

35 CONTINGENT LIABILITY

Gaurantees to Building Societies and Banks in respect of housing loans to employees	37,133	37,133
Sanitation agreement - Beosumbar & Associates vs Setsoto Municipality	1,278,831	1,278,831
LED Project - Biofresh vs Setsoto Municipality	13,041,285	
Claim for damages	89,250	89,250
	14,446,499	**1,405,214**

1.The Municipality receiced a letter of demand from Telkom for damage to Telkoms property. This matter is refered to the Councils Insuarance Company. There is a posibility that the claim will be setteled. 2. Sanitation service contract canceled and a possible claim might arise from this action. 3. Biofresh claim loss of money for the establishment of the LED project.

36 CONTINGENT ASSET

None

37 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description
None

38 PRIVATE PUBLIC PARTNERSHIPS

The Council did not enter into any private public partnership at date of reporting.

39 EVENTS AFTER THE REPORTING DATE

There is no significant matters to report after the reporting date.

40 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures C(1) and C(2).

APPENDIX A

SETSOTO LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Balance at 30/06/07	Received during the period	Redeemed written off during the period	Balance at 30/06/08	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
	R	R	R	R	R	R
LONG-TERM LOANS						
Stock Loan	-	-	-	-	-	-
Stock Loan	-	-	-	-	-	-
Total long-term loans	-	-	-	-	-	-
ANNUITY LOAN						
ABSA	0	-	-	0	-	-
Bankfin	181,034	-	144,216	36,818	181,034	-
Bateman Finance	174,172	-	93,827	80,345	174,172	-
Daimler Chrysler Services	49,356	-	49,356	0	49,356	-
Development Bank SA	23,048,005	-	2,556,149	20,491,856	23,048,005	-
Free State Munisipal Pension Fund				-	-	-
Infrastructure Finance Corporation	1,260,986	-	640,556	620,430	1,260,986	-
Sanlam	356,541	-	115,635	240,906	356,541	-
Rand Merchant Bank	-	-	-	-	-	-
Wesbank	514,930	6,728,734	372,911	6,870,753	7,010,635	-
Total annuity loans	25,585,025	6,728,734	3,972,649	28,341,109	32,080,729	-
GOVERNMENT LOANS	-	-	-	-	-	-
Total Government Loans	-	-	-	-	-	-
LEASE LIABILITY	-	-	-	-	-	-
Total Government Loans	-	-	-	-	-	-
TOTAL EXTERNAL LOANS	25,585,025	6,728,734	3,972,649	28,341,109	32,080,729	-

APPENDIX B

SETSOTO LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Corrections	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	1,797,999	-		-	1,797,999	-	-	-	-	1,797,999
Buildings	34,381,973	1,174,622		25,951	35,530,644	8,558,670	1,463,324	15,885	10,006,108	25,524,536
	36,179,972	**1,174,622**	**-**	**25,951**	**37,328,643**	**8,558,670**	**1,463,324**	**15,885**	**10,006,108**	**27,322,535**
Infrastructure										
Drains	-	-		-	-	-	-	-	-	-
Roads	48,909,035	11,195,878		-	60,104,914	36,073,378	1,746,450	-	37,819,827	22,285,086
Beach Improvements	-	-		-	-	-	-	-	-	-
Sewerage Mains & Purif	92,976,694	119,294,680		-	212,271,374	26,851,699	4,969,756	-	31,821,455	180,449,919
Electricity Mains	24,440,413	68,091		-	24,508,504	15,315,537	617,315	-	15,932,852	8,575,652
Electricity Peak Load Equip	-	-		-	-	-	-	-	-	-
Water Mains & Purification	-	-		-	-	-	-	-	-	-
Reservoirs – Water	-	-		-	-	-	-	-	-	-
Water Meters	-	-		-	-	-	-	-	-	-
Water Mains	87,952,565	314,625		-	88,267,189	48,705,083	4,156,405	-	52,861,488	35,405,701
	254,278,707	**130,873,274**	**-**	**-**	**385,151,981**	**126,945,698**	**11,489,925**	**-**	**138,435,623**	**246,716,358**
Community Assets										
Parks & Gardens	-	-		-	-	-	-	-	-	-
Libraries *	125,663	-		-	125,663	36,432	4,694	-	41,126	84,537
Recreation Grounds	3,177,756	-		-	3,177,756	2,603,076	84,751	-	2,687,827	489,929
Civic Buildings	4,068,311	-		-	4,068,311	1,962,882	126,836	-	2,089,718	1,978,593
	7,371,730	**-**	**-**	**-**	**7,371,730**	**4,602,389**	**216,282**	**-**	**4,818,671**	**2,553,059**
Heritage Assets										
Historical Buildings	-	-		-	-	-	-	-	-	-
Painting & Art Galleries	-	-		-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total carried forward	297,830,408	132,047,896	-	25,951	429,852,354	140,106,756	13,169,531	15,885	153,260,402	276,591,952

* Includes correction of error referred to in Note 32.

APPENDIX B

SETSOTO LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Corrections	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Total brought forward	297,830,408	132,047,896	-	25,951	429,852,354	140,106,756	13,169,531	15,885	153,260,402	276,591,952
Housing Rental Stock										
Housing Rental 1	-	-		-	-	-	-	-	-	-
Housing Rental 2	-	-		-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Leased Assets (Infrastructure)										
Sewerage Mains & Purify	-	-		-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Assets										
Land	-	-		-	-	-	-	-	-	-
Office Equipment	-	-		-	-	-	-	-	-	-
Furniture and Equipment	2,370,678	985,658		-	3,356,336	1,175,314	314,214	-	1,489,528	1,866,808
Bins and Containers	-	-		-	-	-	-	-	-	-
Tools and Equipment	5,127,528	7,575,846		-	12,703,374	2,999,518	1,037,927	-	4,037,445	8,665,929
Motor Vehicles	2,313,678	-		-	2,313,678	1,618,501	229,346	-	1,847,847	465,831
Special Vehicles	7,418,225	-		-	7,418,225	3,003,843	592,764	-	3,596,607	3,821,619
Refuse tankers	-	-		-	-	-	-	-	-	-
Computer equipment	2,293,626	-		-	2,293,626	1,619,440	196,003	-	1,815,443	478,183
Councillors Regalia	807,650	-		-	807,650	167,570	49,667	-	217,236	590,413
Conservancy tankers	-	-		-	-	-	-	-	-	-
Watercraft	-	-		-	-	-	-	-	-	-
Buildings	-	-		-	-	-	-	-	-	-
	20,331,385	**8,561,504**	**-**	**-**	**28,892,889**	**10,584,186**	**2,419,920**	**-**	**13,004,106**	**15,888,783**
Total	**318,161,793**	**140,609,400**	**-**	**25,951**	**458,745,243**	**150,690,942**	**15,589,451**	**15,885**	**166,264,508**	**292,480,735**

APPENDIX C(1)

SETSOTO LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	22,787,497	22,315,979	471,517	2.11%	
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	67,225,861	66,865,007	360,855	0.54%	
Regional Services Levies - turnover	-	-	-	0.00%	
Regional Services Levies - remuneration	-	-	-	0.00%	
Rental of facilities and equipment	549,645	515,025	34,620	6.72%	
Interest earned - external investments	2,665,725	550,000	2,115,725	384.68%	
Interest earned - outstanding debtors	14,428,998	9,000,000	5,428,998	60.32%	
Dividends received	-	-	-	0.00%	
Fines	200,407	233,000	(32,593)	-13.99%	
Licences and permits	430	550	(120)	-21.82%	
Income for agency services	-	-	-	0.00%	
Government grants and subsidies	198,237,909	208,728,838	(10,490,929)	-5.03%	
Other income	4,792,499	2,062,190	2,730,309	132.40%	
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	252,910	-	252,910	0.00%	
Total Revenue	***311,141,882***	***310,270,589***	***871,293***	**0.28%**	
EXPENDITURE					
Employee related costs	(64,923,272)	(64,415,332)	(507,940)	0.79%	
Remuneration of Councillors	(6,505,023)	(6,267,105)	(237,918)	3.80%	
Bad debts	(11,810,575)	(11,810,575)	-	0.00%	
Collection costs	-	-	-	0.00%	
Depreciation	(15,589,451)	(12,578,993)	(3,010,458)	23.93%	
Repairs and maintenance	(7,009,852)	(11,598,300)	4,588,448	-39.56%	
Interest on external borrowings	(4,654,748)	(4,100,250)	(554,497)	13.52%	
Bulk purchases	(14,775,478)	(16,000,000)	1,224,522	-7.65%	
Contracted services	-	-	-	0.00%	
Grants and subsidies paid	(7,008,192)	(8,001,000)	992,808	-12.41%	
General expenses - other	(31,355,361)	(26,261,365)	(5,093,996)	19.40%	
Loss on disposal of property, plant and equipment	-	-	-	0.00%	
Total Expenditure	***(163,631,952)***	***(161,032,920)***	***(2,599,032)***	**1.61%**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	***147,509,930***	***149,237,669***	***(1,727,739)***	**-1.16%**	

APPENDIX C(1)

SETSOTO LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	2007 Actual (R)	2007 Budget (R)	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	20,494,439	18,099,371	2,395,068	13.23%	Rates tarrif increased with 12%
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	62,745,487	61,786,493	958,994	1.55%	
Regional Services Levies - turnover	-	-	-	0.00%	
Regional Services Levies - remuneration	-	-	-	0.00%	
Rental of facilities and equipment	782,427	707,500	74,927	10.59%	
Interest earned - external investments	486,750	180,000	306,750	170.42%	Vote under budget
Interest earned - outstanding debtors	10,106,688	10,000,000	106,688	1.07%	
Dividends received	-	-	-	0.00%	
Fines	224,880	241,000	(16,120)	-6.69%	
Licences and permits	620	2,000	(1,380)	-69.00%	Amount immaterial
Income for agency services	-	-	-	0.00%	
Government grants and subsidies	106,276,882	108,086,792	(1,809,910)	-1.67%	
Other income	3,017,273	3,799,240	(781,967)	-20.58%	
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	547,390	-	547,390	0.00%	
Total Revenue	***204,682,836***	***202,902,396***	***1,780,440***	**0.88%**	
EXPENDITURE					
Employee related costs	(55,279,016)	(59,931,672)	4,652,656	-7.76%	
Remuneration of Councillors	(6,909,626)	(6,997,900)	88,274	-1.26%	
Bad debts	(8,600,000)	(8,600,000)	-	0.00%	
Collection costs	-	(18,920)	18,920	-100.00%	
Depreciation	(11,520,150)	(4,706,500)	(6,813,650)	144.77%	Implementation of GRAP result in increase
Repairs and maintenance	(6,572,119)	(10,896,983)	4,324,864	-39.69%	Cashflow retains contributed to underspending
Interest on external borrowings	(3,979,758)	(7,708,715)	3,728,957	-48.37%	Loans not taken up, due to cashflow constrains
Bulk purchases	(13,586,765)	(13,000,000)	(586,765)	4.51%	
Contracted services	-	-	-	0.00%	
Grants and subsidies paid	(10,287,488)	(13,020,000)	2,732,512	-20.99%	Less indigent registrations
General expenses - other	(26,972,413)	(30,387,755)	3,415,342	-11.24%	
Loss on disposal of property, plant and equipment	-	-	-	0.00%	
Total Expenditure	***(143,707,335)***	***(155,268,445)***	***11,561,110***	**-7.45%**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	***60,975,501***	***47,633,951***	***13,341,550***	**28.01%**	

APPENDIX C(2)

SETSOTO LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual	2008 Under Construction	2008 Total Additions	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	*(Explanations to be recorded)*
Land and Buildings							
Land	-	-	-	-	-	0.00%	
Buildings	1,174,622	-	1,174,622	710,000	464,622	65.44%	
	1,174,622	**-**	**1,174,622**	**710,000**	**464,622**	**65.44%**	
Infrastructure							
Drains	-		-	-	-	0.00%	
Roads	11,195,878	-	11,195,878	-	11,195,878	0.00%	
Beach Improvements	-	-	-	-	-	0.00%	
Sewerage Mains & Purif	119,294,680	-	119,294,680	7,506,000	111,788,680	1489.32%	
Electricity Mains	68,091	-	68,091	6,370,000	(6,301,909)	-98.93%	
Electricity Peak Load Equip	-	-	-	-	-	0.00%	
Water Mains & Purification	-	-	-	-	-	0.00%	
Reservoirs - Water	-	-	-	-	-	0.00%	
Water Meters	-	-	-	-	-	0.00%	
Water Mains	314,625	-	314,625	35,373,000	(35,058,375)	-99.11%	
	130,873,274	**-**	**130,873,274**	**49,249,000**	**81,624,274**	**165.74%**	
Community Assets							
Parks & Gardens	-	-	-	70,000	(70,000)	-100.00%	
Libraries	-	-	-	-	-	0.00%	
Recreation Grounds	-	-	-	10,000	(10,000)	-100.00%	
Civic Buildings	-	-	-	-	-	0.00%	
	-	**-**	**-**	**80,000**	**(80,000)**	**-100.00%**	
Heritage Assets							
Historical Buildings	-	-	-	-	-	0.00%	
Painting & Art Galleries	-	-	-	-	-	0.00%	
	-	**-**	**-**	**-**	**-**	**0.00%**	
Total carried forward	**132,047,896**	**-**	**132,047,896**	**50,039,000**	**82,008,896**		

APPENDIX C(2)

SETSOTO LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual	2008 Under Construction	2008 Total Additions	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Total brought forward	132,047,896	-	132,047,896	50,039,000	82,008,896		
Housing Rental Stock							
Housing Rental 1	-	-	-	-	-	0.00%	
Housing Rental 2	-	-	-	-	-		
	-	**-**	**-**	**-**	**-**	**0.00%**	
Leased Assets (Infrastructure)							
Sewerage Mains & Purify	-	-	-	-	-	0.00%	
	-	**-**	**-**	**-**	**-**	**0.00%**	
Other Assets							
Land	-	-	-	-	-	0.00%	
Office Equipment	-	-	-	464,000	(464,000)	-100.00%	
Furniture and Equipment	985,658	-	985,658	124,000	861,658	694.89%	
Bins and Containers	-	-	-	-	-	0.00%	
Tools and Equipment	7,575,846	-	7,575,846	320,000	7,255,846	2267.45%	
Motor Vehicles	-	-	-	240,000	(240,000)	-100.00%	
Special Vehicles	-	-	-	8,801,500	(8,801,500)	-100.00%	
Refuse tankers	-	-	-	20,000	(20,000)	-100.00%	
Computer equipment	-	-	-	240,000	(240,000)	-100.00%	
Councillors Regalia	-	-	-	-	-	0.00%	
Conservancy tankers	-	-	-	-	-	0.00%	
Watercraft	-	-	-	-	-	0.00%	
Buildings	-	-	-	-	-	0.00%	
	8,561,504	**-**	**8,561,504**	**10,209,500**	**(1,647,996)**	**-16.14%**	
Total	**140,609,400**	**-**	**140,609,400**	**60,248,500**	**80,360,900**	**133.38%**	

APPENDIX D

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2008

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			Sept	Dec	March	June		Sept	Dec	March	June	March	June	Sept	Dec	March		Yes / No	
Equitable Share	National Government		21,544,887	16,158,666	26,931,110			21,544,887	16,158,666	26,931,110								Yes	
MIG Funds	National Government		69,016,879	29,023,010	15,309,938	7,187,000		41,908,767	39,524,813	36,355,194	6,743,368							Yes	
DWAF	National Government																	Yes	
Local Gov & Housing	Provincial Government			705,000					705,000									Yes	
MSIG	National Government		367,000	367,000				86,025	394,047	12,191	38,274							Yes	
	Tabo Mofutsunyane District Mun		500000					-	20,999	232,491	246,510							Yes	
			91,428,766	46,253,676	42,241,048	7,187,000		63,539,679	56,803,525	63,530,986	7,028,152								